

Recommendations of Fitment Committee on 21st December 2018

Revised Annexure V

(Ref: agenda item 6 of the Detailed Agenda Note-Volume 2 for the 31st GST Council Meeting)

Sl. No.	Proposal	Comments
1.	<p>Request has been received to exempt GST payable on third party insurance premium when a goods carrying vehicles takes insurance for plying on the road. However, it was proposed to reduce GST on third party insurance premium of goods carrying vehicle from existing 18% to 12%.</p> <p>Reference: ADG, DGGST forwarding representation of All India Motor Transport Congress (AIMTC)</p>	<p>PROPOSAL BEFORE FITCOM To reduce GST on third party insurance premium of goods carrying vehicle from existing 18% to 12%.</p> <p>RECOMMENDATION of FITCOM Fitment Committee in its meeting on 21st December, 2018 approved the proposal.</p> <p>REASON FOR THE PROPOSAL Motor third-party insurance or third-party liability cover, which is sometimes also referred to as the 'act only' cover, is a statutory requirement under the Motor Vehicles Act. It is referred to as a 'third-party' cover since the beneficiary of the policy is someone other than the two parties involved in the contract (the car owner and the insurance company).</p> <p>The insurance of motor vehicles against damage is not made compulsory, but the insurance of third party liability arising out of the use of motor vehicles in public places is made compulsory. No motor vehicle can ply in a public place without such <i>insurance</i>.</p> <p>Ministry of Road Transport and Highways (MoRTH) envisages more stringent enforcement of the compulsory motor third party insurance. MoRTH is of the opinion that there is a case for reduction in the rate of GST. While the extent of uninsured vehicles may vary from category to category, it is understood that the percentage of uninsured vehicles in certain categories is as high as 60%. With stricter enforcement resulting in more and more uninsured vehicles being brought within the ambit of motor third party insurance, the overall revenue arising out of GST on Motor Third Party insurance will increase.</p> <p>Proposal will lead to revenue loss of appx. Rs. 600 Crores. However, improvement in compliance would lead to part of it being recovered.</p>
2.	To reduce rate of GST on supply of cinema exhibition service.	<p>PROPOSAL BEFORE FITCOM To reduce GST rate on (i) ticket of price Rs.100 or less from 18% to 12%.</p>

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	<p>Reference: 1. Multiplex Association of India. 2. Resolution of 29th GST Council meeting held on 04.08.2018.</p>	<p>(ii) tickets of price more than Rs. 100 from 28% to 18%</p> <p>RECOMMENDATION OF FITCOM Fitment Committee in its meeting on 21st December, 2018 approved the proposal.</p> <p>REASON FOR THE PROPOSAL 1. In 29th GST Council meeting, States represented for reducing the rate of GST on exhibition of cinema from 28% to 18%, avoiding price stratification and exploring option of promoting regional, theme based and educational cinema. Chairman GST Council directed Fitment Committee to examine the request with revenue data as this issue impacts a very large number of people.</p> <p>2. Charging high GST rate of 28% on cinema which is otherwise applicable to luxury, sin and de-merit goods / services is affecting the business volumes and is encouraging piracy, affecting tax revenue and the national economy. The trade and industry has been viewing this rate as very high compared to rate internationally.</p> <p>3. This is also viewed as a healthy family entertainment. Considering the fact that cinema reaches wider masses and acts as a major social and cultural catalyst, generate employment and revenue to exchequers, is not a luxury or sin service.</p> <p>4. The proposal before Fitment Committee involved revenue loss of appx. Rs. 900 crores. However at present compliance levels are low in single screen theatres and lower rates are likely to improve the revenue.</p>
3.	<p>To exempt or reduce GST rate on air travel by chartered flights in respect of religious pilgrimage facilitated by the Government of India under bilateral arrangement from 18% to 5%</p> <p>Reference: Chief Minister of Bihar Sh. Husain Dalwai, MP Dr. T.M. Thomas Isaac, Minister for Finance and Coir, Kerala CCT, West Bengal</p>	<p>RECOMMENDATION OF FITCOM The services of transportation of passengers by air by non-scheduled /charter operations engaged by specified organisations in respect of religious pilgrimage facilitated by the Government of India under bilateral arrangement may be charged to GST at the same rate as applicable to Economy class, that is, 5% with ITC of input services</p> <p>REASONS FOR THE PROPOSAL 1. The existing rates of GST on various types of air travel are as under:</p>

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		<p><u>Economy class</u> :5% with ITC of input services <u>Other than economy class</u>: 12% with full ITC. <u>Non-scheduled /charter operations</u>: 18% with full ITC.</p> <p>2. The difference in GST rates applicable on economy class (5%) and chartered flight (18%) increases the cost of air fare for pilgrims.</p> <p>3. The aeroplanes and seats on which the pilgrims travel are the same as in Economy class.</p>

Note: - These items were discussed by Fitment Committee on 21st December, 2018 as there was near consensus in last meeting on 15th December, 2018 and with further meeting the issues got finalized.
